

Congress of the United States

Washington, DC 20515

July 23, 2007

The Honorable Nancy Pelosi
Speaker
United States House of Representatives
235 Cannon House Office Building
Washington, DC 20515

The Honorable Charles B. Rangel
Chairman
House Committee on Ways and Means
2354 Rayburn House Office Building
Washington, DC 20515

Dear Speaker Pelosi, Chairman Dingell and Chairman Rangel:

Since the State Children's Health Insurance Program (SCHIP) began in 1997, it has provided health care to millions of uninsured children in families that lack access to affordable coverage. Currently, approximately six million children are eligible for SCHIP and depend on reauthorization of this program to ensure that they receive health care coverage. We are aware that enrolling all eligible children in SCHIP could cost the federal government up to \$100 billion over the next five years. As the SCHIP debate heightens, we must find ways to provide adequate funding for this program in order to ensure that all children are afforded access to healthcare.

As we look for resources to reach our goal, we urge you to resist excessively raising the federal excise tax on cigarettes. Since June 2001, the average state excise tax on cigarettes sold in the U.S. has increased by over 92%. Tobacco farming has long been a staple of North Carolina rural economies. The higher price of cigarettes will be a tremendous blow to the livelihood of farmers in our districts. Many in my state feel that the continued use of tobacco taxes as a source of revenue is unfair to these hardworking farmers, and feel their government has little regard for the farmers' attempts at making a living.

A cigarette tax also has a disproportionate effect on low-income families. According to Congressional Research Services, cigarette taxes "are one of the most regressive taxes...a tax that falls more heavily on lower income individuals as a percentage of income," meaning this tax could harm the very families we are trying to help through SCHIP. In light of the distributional impact of President Bush's tax cuts, we as Democrats should carefully consider the negative impacts of a fixed tax that will more egregiously affect lower income families.

Finally, as we consider sources of funding, we should bear in mind that the cigarette tax is a declining revenue source, making it an unreliable long-term source of funding. Funding, for a program as important as SCHIP, should be both predictable and equitable. We encourage all members to work together in considering alternative means of funding. Reducing Medicare Advantage overpayments to private health plans and canceling high-income tax cuts are just a few equally effective possibilities.

Ensuring that our nation's children are provided sufficient health care coverage remains a top priority; however, funding SCHIP on the backs of small farmers and low-income families would

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be a costly mistake. We hope that we can work to guarantee an equitable funding of SCHIP as this legislation progresses.

Thank you very much.

Very truly yours,

Mike McIntyre

Brad Ellner

John B. Loeffler
